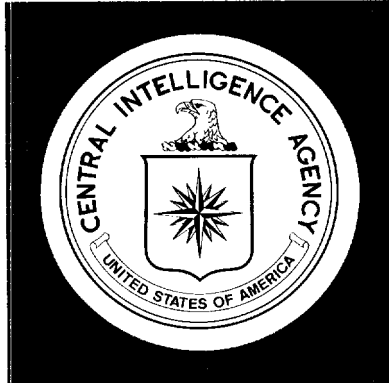




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# Weekly Summary

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February 25, 1977

The WEEKLY SUMMARY, issued every Friday morning by the Current Reporting Group, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Regional and Political Analysis, the Office of Economic Research, the Office of Strategic Research, the Office of Scientific Intelligence, the Office of Weapons Intelligence, and the Office of Geographic and Cartographic Research.

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## Western Hemisphere

### CANADA

Canada's efforts to impose stricter non-proliferation requirements on buyers of its nuclear materials and equipment are meeting strong resistance. Negotiations on export agreements are under way with major buyers of Canadian uranium—some EC states, Japan, and Switzerland—and will continue during the next month.

Under a policy that went into effect at the end of 1976, exports of Canadian reactors and uranium are restricted to states that have either ratified the Non-Proliferation Treaty or accepted safeguards monitored by the International Atomic Energy Agency on their entire nuclear program. In addition, Canada is attempting to use the leverage of its uranium supply to force acceptance of controls on transfer of nuclear technology.

The requirement for controls on such transfers is being opposed by the EC states and Japan, which have nuclear programs that are technologically as advanced as Canada's and technically more diversified. These countries refuse to accept a provision Canada is insisting on including in the export agreements that classifies technologies they subsequently develop as being automatically derived from Canadian-supplied equipment and thus subject to Canadian requirements as to their use and transfer. The provision would primarily affect heavy-water reactor technology.

Apart from not wanting to be bound by the new restriction, the EC states have no legal basis for complying with Ottawa's demands. Under the Euratom Treaty, they are not required to apply safeguards to the transfer of technological information among themselves.

The West Europeans will probably con-

tinue to refuse to accept Canada's position on the transfer issue. Japan, for its part, is unlikely to accept restrictions more stringent than those agreed to by the Europeans.

#### FOREIGN BORROWING

Canada became the world's largest foreign borrower in 1976. Gross long-term borrowing abroad reached \$9.2 billion, more than double the 1975 level. Canadian borrowers accounted for 16 percent of the credits floated in international capital markets last year.

High domestic interest rates provided much of the impetus for Canadians to tap



Finance Minister Macdonald

foreign capital markets. In addition, a sluggish 1-percent recovery in corporate profits forced many firms to borrow to ease cash-flow problems, and firms that had leaned heavily on short-term borrowings between 1973 and 1975 sought credits to improve their debt structure. Businesses and provincially-owned utilities also borrowed heavily in anticipation of a rise in US interest rates in late 1976.

Private foreign financial institutions are beginning to show some concern about lending to Canada, although it still has a comfortable margin in debt-service

capacity. Interest payments in 1976, for example, absorbed only 5 percent of export earnings; dividend remittances raised the ratio to 9 percent.

Heavy Canadian foreign borrowing is continuing so far this year, and the Trudeau government is concerned. In a recent private conversation with the US ambassador, Finance Minister Macdonald suggested that Ottawa might have to limit the borrowing if the pace did not soon slow. In subsequent public statements, however, government officials denied that any such move was being considered.

The current strains on national unity will make the government extremely reluctant to curtail foreign debt. It would not want to appear to be interfering with the prerogative of the provinces to borrow where they judge best. Canada may be able to avoid restricting foreign borrowing by easing monetary restraints to encourage a shift to domestic capital markets.

### ARGENTINA

President Jorge Videla appears to be coming under increasing pressure from fellow military officers critical of his moderate tactics in dealing with labor unrest.

Many of the officers hold labor responsible for a lot of Argentina's problems and favor instituting far more restrictive labor

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25X1 policies than those proposed by President Videla and his supporters.

The navy also generally opposes Videla on the issue.

The labor question is one of the most serious political problems facing the military government. Most organized labor activity has been illegal since the junta seized power last March, but workers have repeatedly defied a ban on strikes and slowdowns to protest both their economic plight and the imposition of restrictions.

Videla wants to remove most of the restrictions in an attempt to secure labor's cooperation with the government. His detractors want to emasculate the labor movement as a punitive and preventive measure.

These differences within the military have delayed the issuance of a new basic law defining the status of labor. In recent days, the government has decreed new rules on some procedural aspects of labor activity. US embassy sources believe that an overall law will be announced soon and that it will largely reflect the position of Videla's opponents.

The President's detractors apparently hope to embarrass and weaken him politically by forcing him to take a tougher stand on labor. They also want to



President Videla

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undermine the position of his chief confidant, army chief of staff General Viola, who is widely regarded as the architect of the conciliatory line toward labor.

The dissident officers hope to force changes in policy, and perhaps in top personnel, by the first anniversary next month of the coup that ousted Maria Estela Peron. There has been considerable speculation in Argentina that changes in the structure of the country's executive authority will be made around that time.

## EL SALVADOR 18-19

General Carlos Romero was declared the winner of the presidential election in El Salvador on February 20. His five-year term starts in July.

Unofficial figures gave Romero, the candidate of the governing National Conciliation Party, roughly a two-to-one margin over his opponent, Ernesto Claramount, a relatively unknown retired colonel who ran a lackluster campaign.

The opposition coalition of three left-of-center parties dominated by the Christian Democrats has charged that extensive vote rigging and intimidation ensured Romero's landslide win. The coalition party held protest rallies this week and talked about stirring up civil disorders and worker walkouts, but it has little chance of building a groundswell of support for reversing Romero's victory. The conservative incumbents, with the backing of the military, have ruled El Salvador for the past 15 years and have no intention of relinquishing power.

Romero, 52, is a former defense minister and a career military officer hand-picked by outgoing President Arturo Molina. Romero probably will maintain the present government's policies, which favor the country's dominant conservative oligarchy and stress strict adherence to law and order.

Romero will be confronted by serious economic and social problems caused by



President-elect Romero

high unemployment, distorted income distribution, and poor health and housing conditions. Promises of reform have stimulated expectations among the landless, estimated at some 100,000 families in this smallest but most densely populated of the five Central American countries. The peasants also want a greater political voice. Church and opposition leaders, particularly in the countryside, are increasing their support of the peasants and their criticism of the government.

The Molina government finally tried to implement a long-promised agrarian reform project in mid-1976, but backed off when it encountered strong opposition from large landowners. During the recent campaign, Romero made public statements favoring reform, but he has privately assured the landowners that he will protect their interests.

A major foreign policy issue for the new president will be the long-standing border dispute with Honduras. The dispute arouses strong feelings on both sides, and progress on solving it will probably be slow, especially when the two sides get down to trying to delimit a boundary.

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## Middle East- Africa

### ISRAEL 33-34

Prime Minister Yitzhak Rabin narrowly won endorsement on February 23 as the Labor Party's candidate for prime minister in the general election scheduled for May 17. The choice was made at the party's pre-election convention, which also must write a platform acceptable to Labor's quarreling factions and an allied group.

Rabin's margin of victory over his challenger, Defense Minister Shimon Peres, was only 41 votes out of some 3,000 cast. Following the vote, Rabin said that Peres had agreed to accept a cabinet post in a new government headed by Rabin. Rabin will need Peres' support in any

future negotiations with the Arabs.

The Labor Party has dominated Israeli politics since the country's independence in 1948. This year it faces a tough election fight against the right-wing Likud bloc, the main opposition group in the present Knesset, and a new party, the Democratic Movement for Change, which has made inroads into Labor's traditional sources of strength. Labor's popularity has been eroded by inflation, corruption scandals, and widespread disenchantment with Rabin's leadership.

Rabin's nomination should make it easier for the left-wing Mapam Party to maintain its eight-year alliance with Labor. Mapam leaders had threatened to abandon the alliance if Peres won. Mapam is also demanding that the Labor platform explicitly acknowledge a readiness to make territorial concessions on the West Bank in peace negotiations—something Peres' hard-line faction opposes.

Labor Party prospects in the election will depend partly on the sincerity of Peres' willingness, expressed after his defeat this week, to work to unite the party and on his ability to deliver voters who share his hard-line views on peace negotiations.

Rabin will base his campaign on foreign policy and defense issues, portraying the Labor Party as best qualified to negotiate with the Arabs and protect Israel's security interests while maintaining close and stable relations with the US.

### Improving Economy 35-37

Israel's economy performed better in 1976 than the government had anticipated. The current-account deficit, down \$800 million to \$3.1 billion, was easily covered by foreign gifts and loans. Real gross national product rose by 3 percent; the government had forecast a 1-percent decline.

The smaller deficit resulted from a slight decline in imports and a substantial increase in exports. Devaluations of the Israeli pound, some reduction in defense deliveries, and the drawdown of raw material stockpiles limited imports. The economic rebound in Western Europe and the US spurred exports of goods and services. Exports to the US rose by 40 percent.

Israel's \$3.8-billion financing requirement was exceeded by transfers, long-term loans, and US assistance. The government used the cushion to reduce short-term debt by \$140 million and to increase foreign exchange reserves by \$150 million. The balance-of-payments situation should continue to brighten this year, allowing Israel to trim its financial requirement by \$200 million. At the same time, Israel will have access to an even larger pool of foreign assistance, including more than \$2.5 billion from the US.

With exports again leading the way, GNP is likely to rise by 5 percent this year, still well below the 10-percent average achieved between the 1967 and 1973 wars. Much depends, however, on the government's ability to deal with labor



Prime Minister Rabin (l) and Defense Minister Peres

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unrest and inflation. Currently, some 200,000 workers—nearly 20 percent of the civilian labor force—are either on strike, threatening to strike, or participating in work slowdowns.

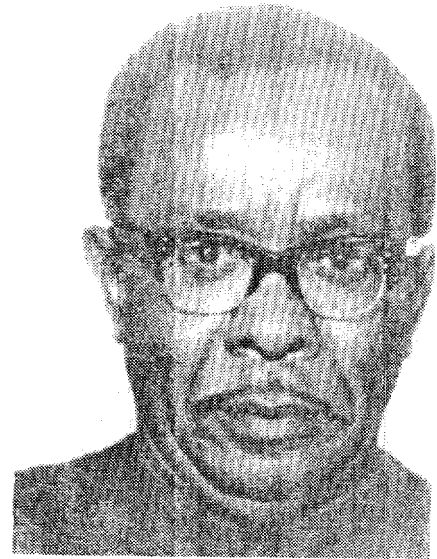
The general public appears deeply troubled about continuing high inflation; last year, consumer prices rose 38 percent and average wages 35 percent. In a recent public opinion survey, concern about the economy far outdistanced worry over security and political matters. Personal consumption has not increased much since before the 1973 war. Given the current Arab peace offensive, it will be increasingly difficult to convince the consumer that restraint is necessary because of the security situation.

political leverage in situations—such as occurred in Lebanon—where interests conflict. Syria is not out to sever its ties with the USSR, however, and is proceeding cautiously to avoid being cut off from vital Soviet supplies.

The decision to cut back on the number of Soviet advisers also reflects the Syrian military's general dislike and distrust of the Soviets and its dissatisfaction with the quality of Soviet equipment and training. A post-mortem by the Syrians on their performance during the 1973 war showed serious deficiencies in the performance of officers trained by the Soviets, compared with those trained in the West. The Syrians reportedly no longer send officers to the USSR for professional schooling, although some are still receiving technical training there.

In Egypt, meanwhile, the last 23 Soviet military advisers are scheduled to leave in April or May.

Their departure will mark the end of a Soviet military presence that at its peak in late 1970 totaled some 15,000 men.



Aboud Jumbe

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mosphere that prevailed on Zanzibar when he came to power there in 1972. Earlier this month, Jumbe became vice president of the new national political party that Nyerere has created to promote national unity; it absorbed the separate parties that have dominated the mainland territory and Zanzibar since independence. The unity objective was almost certainly also a factor in the President's choice of Jumbe as heir apparent.

In his new role, Jumbe may have some of his most vexing problems with his fellow Zanzibaris. The islanders have jealously guarded their autonomy and may see Jumbe's elevation in the presidential succession as presaging future efforts to integrate them with the mainland.

At the same time, Jumbe may have trouble gaining acceptance on the mainland, where there is some antagonism toward the culturally and religiously distinct Zanzibaris.

With the creation of the new united party and Jumbe's accession to the position of heir, Nyerere may give serious consideration to resigning the presidency; he has been hinting for some time that he might step down and devote himself to

## SYRIA-USSR

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38-42

The Soviet military presence in Syria is steadily declining. There are no indications at present, however, that an abrupt curtailment of relations between Syria and the USSR is in the offing, as has occurred between Egypt and the USSR.

Syria appears to be phasing out Soviet advisers attached to the Syrian military.

the Soviet military mission probably has been reduced by at least one third from its peak immediately after the October 1973 Middle East war.

At that time, the number of Soviet military advisory personnel in Syria probably totaled about 3,000. In addition, some 500 Soviet personnel were manning an SA-6 missile brigade near Damascus; they have since returned home.

Soviet strength in Syria

may now be down to about 1,800.

Syrian President Asad wants to reduce his country's overall dependence on the Soviets and thereby weaken Soviet

## TANZANIA

27

Tanzanian President Nyerere's major cabinet shuffle last week apparently was designed primarily to enhance the national political position of First Vice President Aboud Jumbe. Jumbe, the leader of largely autonomous Zanzibar, now appears to be Nyerere's choice as his successor.

The cabinet change sharply downgraded the status of Rashidi Kawawa, who was once widely regarded as Nyerere's likely political heir. Kawawa lost the position of second vice president and was succeeded as prime minister by a man who is clearly subordinate to Jumbe. Kawawa was named defense minister, but Nyerere himself plays a major role in defense matters.

Jumbe shares Nyerere's commitment to socialism but is also a pragmatist who has eased the radical and oppressive at-

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party affairs. He is not likely, however, to take such a step before the end of his current term in 1980.

parliament that the government was adopting measures to deal with civilian call-ups for military duty. The measures included the establishment of a National Manpower Board and the transfer of overall responsibility for the program from the Defense Ministry to the Labor Ministry.

Prime Minister Smith, meanwhile, continues to prepare the way for his planned internal settlement with "moderate" Rhodesian blacks that will bypass the guerrillas. On February 23, he unveiled a package of legislative proposals that, if enacted, would sharply modify the country's racial discrimination laws, although their immediate practical effects would be limited.

The most significant proposal would revise the land tenure act, enabling blacks to become owners of farmland held by whites and of industrial and commercial land in central business districts.

Smith presented his proposals to parliament in the context of his plan for a "democratic internal settlement" that he claims will be acceptable to a majority of Rhodesians. The reform proposals, which are sure to be opposed by the conservative wing of Smith's party, are clearly intended to demonstrate Smith's good faith and attract the support of as many Rhodesian blacks as possible, including some of the nationalist leaders who participated in the recent Geneva talks.

The amendments to the land tenure act must be passed by a two-thirds vote in parliament. A stormy debate seems assured.

week that averts a showdown over fishing and represents de facto Soviet recognition of the EC. The two sides also agreed in principle to a longer term fishing accord on which negotiations are to begin on February 28.

The interim agreement allows 40 Soviet trawlers to fish for a period of six weeks within the exclusive 200-nautical-mile fishing zone that the EC established in the North Atlantic on January 1. The EC had planned to license only 27 Soviet boats, but agreed to the larger number on the condition that there would be no corresponding increase in the size of the Soviet catch.

In the talks with the Soviets, which began in Brussels on February 16, the EC reportedly demanded that the USSR either submit a list of trawlers to be licensed to fish within the EC's zone or withdraw all their boats from EC waters. The Soviets initially refused to submit such a list, asserting that the number of trawlers should be included in the negotiations. According to EC estimates, more than 70 Soviet trawlers were fishing in EC waters before the talks began.

Soviet recognition of the EC's authority to represent its nine members in international negotiations is a major breakthrough for the Community, even though the Soviets will want to avoid making this recognition formal and explicit. The USSR had previously insisted on dealing bilaterally with individual EC states, and it agreed to negotiate with the EC only after being rebuffed by both the UK and Denmark.

The EC members are anxious to conserve fish stocks within their declared zone, and their objective is to reduce the annual Soviet catch from it substantially below the approximately 600,000 tons of fish the Soviets are now taking. The EC wants to negotiate an agreement that will limit the USSR's annual catch to about 60,000 tons. That is the amount of fish Community trawlers now take each year from the Barents Sea, which the Soviets included in a 200-mile fishing zone of their own that goes into effect March 1.

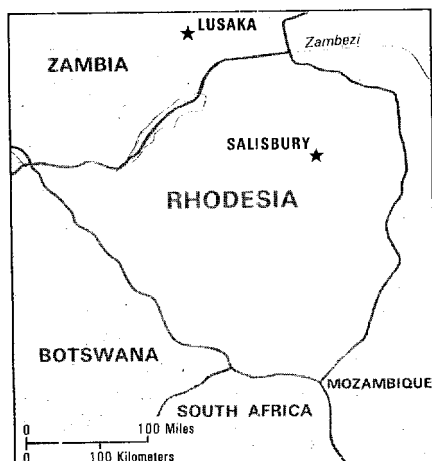
## RHODESIA 29;32

Rhodesian security forces still are generally containing the nationalist guerrillas. Heavy rains and flooding probably are hampering both the guerrillas and the security forces.

The government is showing concern about increased guerrilla activity in western Rhodesia. Although insurgents are still much less numerous there than in the eastern region, the government reportedly has for the first time created a restricted area along a small section of the border with Botswana. Such areas have long been in existence along the frontier with Mozambique, where the largest guerrilla group has its main bases.

The severe strains imposed on Rhodesia's limited white manpower pool by the guerrilla war are continuing to give Prime Minister Smith problems. Increased call-ups announced last month provoked heavy criticism from business and farming groups, which charged that the economy would be disrupted. The criticism led to the resignation of the defense minister on February 13.

Last week, Smith told the Rhodesian



Europe

USSR-EC 43-44

The Soviets and the European Community reached an interim agreement last

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## TURKEY 49-51

Prospects may be increasing for a parliamentary election in Turkey before the constitutionally-set deadline in October.

A decision for an earlier vote would have to be approved by the present legislature. Prime Minister Demirel and opposition leader Ecevit may be moving toward a tacit understanding to press the issue once the budgetary process is completed this month. If the election is moved up, June would be the most likely date.

Both Demirel and Ecevit have favored an early election for some time. Up to now, however, Ecevit has made his support for the move contingent on Demirel stepping down and being replaced by a caretaker government.

Ecevit may be wavering on this precondition. Even if he is not, Demirel may now be willing to relinquish power if necessary to obtain Ecevit's agreement to hold the vote before fall; [redacted]



*Opposition leader Ecevit*

to's Pakistan People's Party appears likely to win, although it faces a strong challenge in populous Punjab Province.

Bhutto is not above interfering in the political process to ensure victory. He may, however, forgo blatant interference that could seriously damage his prestige as long as his party appears likely to emerge on top—even if its margin is much smaller than in the last election.

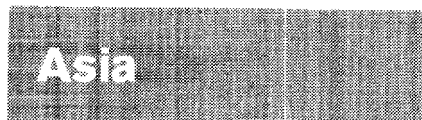
In Punjab Province, where voters will choose more than half of the 200 directly elected members of the National Assembly, the opposition parties have managed to submerge wide personal and ideological differences and are waging a vigorous campaign. The public response has been favorable; one opposition rally reportedly drew a half million people. The parties appear to be having their greatest success in the cities, but also are increasingly active in the more important rural areas.

Bhutto has responded by stepping up his own campaign. He has been bringing prominent figures into the Punjab from other provinces, pressing civil servants into campaign work, organizing large rallies for his party, and using government transport and government-controlled media to good advantage. Although some of Bhutto's actions have been clearly illegal, so far they have remained within the bounds of what Pakistanis generally consider acceptable in an election.

The Prime Minister's party faces only minor problems in Pakistan's other three provinces. It seems assured of an easy victory in the Sind, Bhutto's home province, and also in the two provinces located along the Afghan border, where the main opposition party has been outlawed.

The mandate won by the People's Party in the 1970 election has allowed Bhutto to dominate his political opponents, rivals in his own party, business interests, and the military since he came to power in 1971 in the wake of the disastrous war with India. Bhutto remembers, however, how quickly former president Ayub Khan fell from an apparently secure position when his lack of popular backing became evident in 1969. [redacted]

ment might emerge. The chance of this hope being realized is slim, however; whenever the vote is held neither Demirel nor Ecevit is likely to win a majority, and the balance of power will probably remain with the smaller generally more extreme parties. [redacted]



## PAKISTAN 52-53

Pakistani voters will go to the polls on March 7 in the country's first national election since 1970. Prime Minister Bhut-

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## SRI LANKA

59

Sri Lanka faces a period of increased political uncertainty as it moves toward the parliamentary election to be held before the end of September.

Prime Minister Bandaranaike's problems have been mounting lately. In December and January she was confronted with a wave of strikes, which she broke by imposing press censorship, threatening to hire replacements for striking workers, and calling out the military to maintain essential services. The opposition criticized her tactics and called for a no-confidence vote in the parliament. A week before the scheduled vote, Bandaranaike adjourned the legislature until May 19. Its term expires three days later.

The Prime Minister's action saved her from having several members of her own party vote against her. Five of them did, however, resign from the party. The pro-Moscow Communist Party, after a week of indecision, announced that it was withdrawing from the government coalition. The Communists' mild withdrawal statement possibly was intended to leave the way open for cooperating with Bandaranaike during the election campaign.

The dismissal of the parliament, in which Bandaranaike still has a majority, prevented a further extension of the emergency imposed to counter leftist insurgency in 1971. The opposition press is now free to criticize the government, and insurgents and other dissidents jailed under emergency rules have been released. Bandaranaike has warned that she might have to reimpose the emergency, but she cannot do so constitutionally without reconvening the legislature.

Bandaranaike's political position probably has suffered, but she will still have some strengths in the election. She is likely to have gained support, particularly in rural areas, by her refusal to give in to the strikers. In addition, the food supply may soon improve; the rice harvest in March could be the best in years. The Prime Minister can also schedule the election at the time she believes will help her most.



*Premier Pak Song-chol (r) at the Moscow airport with Soviet Premier Kosygin*

## NORTH KOREA-USSR

55-58

The signing of a trade protocol on February 14 between North Korea and the USSR probably indicates that the two countries have resolved some of the problems hampering increased economic ties. Even so, the USSR was clearly not as responsive to the North Koreans' aid requests as they would have liked.

North Korean Premier Pak Song-chol is said to have primarily discussed trade and economic issues during his visit to Moscow last month. A source of the US embassy in Moscow has reported that Soviet officials categorically refused a North Korean request for a nuclear power plant. The Soviets indicated they would continue work on 16 industrial plants that had been scheduled for completion by the end of 1976, but provided little new aid.

North Korean exports to the USSR, valued at \$210 million in 1975, were supposed to rise to \$260 million in 1976. According to official Soviet statistics, however, through last September these exports were 35 percent below what they were in 1975.

North Korean production problems, including a reduction in hydroelectric power because of drought, are probably in part

responsible for the decline, but North Korea may also have been trying to divert goods to hard-currency purchasers. If so, the USSR might have retaliated by reducing its exports to North Korea; they were down 15 percent through September.

Reports that the USSR sharply reduced petroleum shipments to North Korea have not been confirmed. If true, the curtailment could have been ordered in reaction to North Korea's refusal to accept price increases that Moscow imposed last year on sales to communist countries.

North Korea has long depended on the USSR and China for petroleum and coking coal; the Koreans' poor credit rating in the West now makes them more dependent on communist countries for industrial equipment as well. Any long-term deterioration in these trading relationships could, therefore, have important implications for North Korea's industrial growth.

President Kim Il-sung's regime apparently has not recently approached China for purely economic assistance. The Chinese have, however, contributed significantly more military assistance and diplomatic support to North Korea in recent years than has the USSR.

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*Soviet supplies of natural uranium, much of which originate in Eastern Europe, are more than ample for the USSR's nuclear weapons program and for Soviet and East European nuclear power programs for the foreseeable future.*

## USSR: Uranium Supplies

The USSR has enough uranium in the form of ore and concentrates from domestic and East European sources to sustain its nuclear weapons program as well as to provide fuel to Soviet and East European nuclear power programs for the foreseeable future. Because of the large amounts produced, the USSR has had a continual surplus of uranium concentrate and now has a large stockpile.

The Soviets produce an estimated 17,500 tons of equivalent uranium metal a year and use about 9,000 tons. Utilization is likely to increase to about 11,000 tons per year in the five-year period beginning in 1980 because of planned in-

creases in the number of nuclear power stations for electricity.

From 1946, when their nuclear raw materials program began, through the end of 1976, the Soviets have produced an estimated 390,000 tons of equivalent uranium metal and used an estimated 190,000 tons. The remaining 200,000 tons are stockpiled for future use or sale.

### Foreign and Domestic Supply

The Soviets obtain much of their uranium supply from East European countries, which have been required to ship their entire output of natural uranium to the USSR. The terms are in essence barter arrangements and are extremely favorable to the USSR. At

present, four East European countries supply the USSR with approximately 10,500 tons of recoverable uranium metal per year. East Germany, the largest producer, has an output almost equal to that of the USSR. East Germany maintains two uranium concentrating plants; the one at Seelingstadt is probably the largest in the world and can process over 12,000 tons of uranium ore daily.

Czechoslovakia has two concentrating plants and also recovers uranium by on-site leaching at one mining area. Hungary has one plant and Bulgaria two. Romania has one concentrating plant under construction.

The USSR operates large plutonium production complexes at Kyshtym in the Urals and at Tomsk in western Siberia and a smaller complex at Dodonovo in Siberia. These plants probably had used about 150,000 metric tons of uranium in their production reactors by mid-1976.

The USSR has four gaseous diffusion plants for enriching uranium—at Verkh-Neyvinsk in the Ural Mountains and at Tomsk, Angarsk, and Zaozernyy in Siberia. Originally built to produce highly enriched uranium for the nuclear weapons program, they now also produce uranium of lesser enrichment for Soviet and East European power reactors and Soviet nuclear propulsion reactors.

Environmental samples from the late 1950s through the mid-1960s indicate that the Soviets have routinely used the uranium recovered during plutonium separation operations as the primary



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enrichment plant feed. This practice minimizes operating costs because less uranium must be mined and processed. The Soviets use natural uranium only when the supply of recovered uranium is inadequate.

Since 1971, some of the Soviet enrichment capacity has been used each year to fulfill uranium enrichment service contracts with Western countries for nuclear power reactors. Under such contracts the customer must supply his own uranium feed material, which is enriched for a fee and returned along with the tailings. This non-Soviet uranium has so far been a

small part of the diffusion plant feed but will be a larger fraction in the future. Soviet uranium supplies are not expended in fulfilling these contracts.

#### Foreign Sales Prospects

The Soviets are willing to export various kinds of nuclear equipment, material, and technology, but they have not put any of their uranium stockpile on the market. The only Soviet uranium exported to date has been in the form of fuel elements included in the sale of nuclear reactors; the spent fuel from these reactors must be returned to the USSR.

Because of their large stockpile of

natural uranium, the Soviets are in a position to sell uranium. At the present rates of uranium production and utilization, this stockpile is likely to continue to grow.

There are no indications that the Soviets will soon be willing to sell natural uranium. East European states are not in a position to sell uranium independently to the West. Should supplies in the West become tight and drive uranium prices on the world market higher, the USSR might change its position and sell some of its uranium stockpile to earn foreign exchange.

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*Pro-Western leaders of several former French colonies in West Africa are more worried, in the wake of the Angolan affair, over Soviet intentions on the continent and are looking to the West—in the first instance France—for increased support.*

62-74; 76; 78-79

## West Africa: Concern over Soviet Inroads

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The pro-Western governments of six French-speaking African states are showing signs of insecurity. The leaders of Cameroon, Ivory Coast, Niger, Senegal, Togo, and Upper Volta are concerned about Soviet intentions in Africa.

The war in Angola demonstrated to these leaders the USSR's ability to move into an area quickly and its willingness to intervene with surrogates, in that case Cubans, to tip the scales in a fight among Africans. The moderates now fear the Soviets, unchecked by the West in Angola, will go on to expand their influence elsewhere in Africa. This has made the moderates more uneasy than ever about relations with their more radical neighbors.

One reaction has been to look for support from the West, especially from France, the former colonial power, and,

ultimately, from the US.

Although the views of each country differ somewhat according to national experience and geography, the six governments are all quietly pro-Western by African standards. Their pragmatic leaders are generally more interested in development than ideology and recognize that progress depends on stability.

#### Perception of Soviet Aims

The moderate Africans assume the USSR's basic aim is to establish a number of bridgeheads as a first step toward expanding its influence and control on the continent. They perceive various long-range Soviet objectives involving their region, such as the acquisition of air and naval bases, the isolation of Africa from its traditional markets in Western Europe, and the establishment of a foothold in oil-rich Nigeria.

To achieve such aims, they believe the Soviets intend:

- To probe for weak spots that will offer new opportunities for exploitation.

- To carry out subversive activities in African states with the aim of creating unrest and paving the way for the establishment of regimes more sympathetic to the USSR.

- To offer additional military aid to such states as Guinea, Benin, and Mali, where a significant Soviet presence exists, thereby increasing the military capabilities of these states and isolating their more moderate neighbors.

The objectives attributed to the USSR by the West African moderates probably are basically true, but these leaders appear to have an exaggerated perception of how much effort the Soviets are planning to put into trying to achieve such goals over the near term. The Soviets are indeed likely to try to take advantage of

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whatever opportunities are presented in West Africa, but they will continue for the foreseeable future to assign a higher priority to southern Africa and the Horn.

In any case, there is no evidence that the states to which Moscow supplies arms are being prompted to move against their neighbors. The Soviet upgrading of Malian airfields, for example, appears aimed at securing a backup relay point for Soviet aircraft rather than preparing Mali for another border war with Upper Volta.

Over the longer term, however, the political fragility of the countries in the region leave them susceptible to discord, political instability, and sudden policy switches—conditions that will continue to offer the Soviets new targets of opportunity from time to time.

The moderates' perception of the potential military threat from Soviet-

supplied neighbors has already led them to make protective moves. Most of these states now are paying more attention to their armed forces.

Ivory Coast, for example, is particularly worried by Guinea's continued stridency and is acquiring jets and tanks. Previously, Ivory Coast spent little on its military forces, focusing instead on economic development. Both Upper Volta and Cameroon want military equipment from the US and are also interested in fostering a special political relationship.

The moderates have instinctively turned to France to "do something" about the threat they perceive, despite some reluctance to do anything that calls attention to themselves as countries that have remained close to the former colonial power. The initial French response has been to

provide some additional arms to meet the most urgent requests, grant additional development funds, and consult more closely with other Western powers, including the US, on African affairs.

These piecemeal efforts are generally regarded as inadequate, and there is a growing feeling among the West African moderate leaders that some sort of cooperative effort might be more effective. Some of them have considered, for example, the creation of a broad sub-Saharan alliance of moderate states against all radical states or a nonaggression pact for West Africa.

**Outlook**

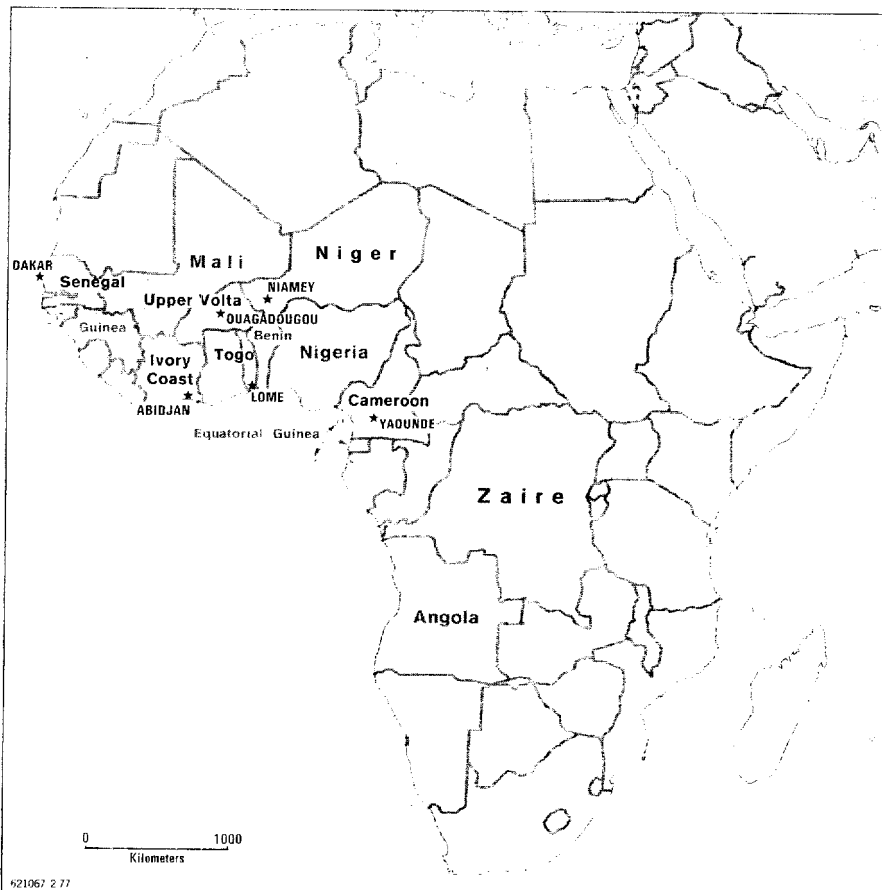
The moderates' defensive moves may contribute to an arms race with their Soviet-supplied neighbors. The radical states have long been suspicious of the intentions of "neocolonialism" and its regional "lackeys." At a minimum, the perceptions of each side are likely to lead to intensification of polemics between moderate and radical states in the region.

The diversion of talents and resources from basic development to national rivalries will cost both sides.

Most of the moderate states hope for a more activist US policy toward Africa that will blunt Soviet moves and provide effective, tailored support to their positions; they question their ability to prevail over Soviet influence without US backing. They would not, however, want a conspicuous show of US support that would leave them more vulnerable to charges of "neocolonialism."

The French would probably welcome coordinated US moves that contributed to stability in the region. They would be wary, however, of any US actions that appeared to challenge their long-time paramount position in the area.

If the moderate states conclude that Western support is inadequate, they are unlikely to try to go it alone. Instead, they will probably reassess their policies with a view to accommodating themselves to what they perceive to be the emerging power relationships in the area.

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*Italy's Communists, striving for popular acceptance, are developing a package of largely nondoctrinaire proposals for dealing with the country's economic problems while continuing to support the economic stabilization program of the minority Christian Democratic government.*

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## Italy: Communist Economic Proposals

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Italy's Communists, who are bent on gaining acceptance as a governing party, are striving to develop a set of policies to cope with the country's continuing economic problems. Specific proposals by party experts are for the most part non-doctrinaire and aimed at solving Italy's immediate problems; in the fiscal area, they conform closely to those advocated by various center-left parties.

The proposals do not, of course, necessarily reflect what the Communists would do if they were to win a dominant governing position.

### The Communists and Austerity

Since the June election, which strengthened the Communists at the expense of the smaller parties, the party has held the power in parliament to make or break the economic stabilization plans of the minority Christian Democratic government. The Communists, by abstaining in parliament, allowed Prime Minister Andreotti to enact a series of tough tax measures designed to reduce Italy's high rate of inflation and curb the spiraling growth of imports. The party agrees with the government's position on the need to limit the growth of wages, but has so far had little success in convincing the labor movement.

Party chief Enrico Berlinguer's tacit support of the austerity program has stimulated criticism within the party, although Berlinguer and his associates remain firmly in control. The meeting of the

party's Central Committee in October was notable for the different approaches to economic problems recommended by party president Luigi Longo and directorate member Giorgio Amendola.

Amendola, reflecting the dominant viewpoint of Berlinguer, argued that workers must sacrifice now to ensure a more equitable redistribution of future resources. Longo and others urged that



Italian Communist Party President Longo (l) and party secretary Berlinguer

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the party must do nothing to violate the interests of its working class base.

Support of Andreotti's stabilization efforts has caused a rift between the party and the Italian labor unions. Most party economists are convinced that Italy's extensive wage indexation system must be curbed, but the party has been unable to persuade the unions of this.

Luciano Lama, head of the Communist-dominated labor confederation, failed in his attempt to secure labor acceptance of a change in cost-of-living adjustments from a quarterly to a semi-annual basis. The party is now channeling its efforts toward persuading workers to hold down additional wage demands in an approaching series of company-level contract negotiations.

The party realizes that its support of the Andreotti program is testing its ties with both the unions and its own membership. Communist economists have warned Berlinguer that he can continue to rely on labor support for his political position only if something tangible in the way of social reform or economic progress is produced. Party analysts speak of the leadership having signed a "promissory note" with the rank and file that may remain outstanding for six months or a year, but not indefinitely.

#### Positions on Payments Problems

Along with curbing inflation, an immediate goal of the Communists is balance-of-payments equilibrium. More consistently than most noncommunist economists, party economic experts advocate controls to solve problems in the short term. During last year's lira crisis, the Communists urged petitioning the EC for emergency authority to establish import quotas for luxury items, and they supported the import deposit scheme imposed by the government last March to curb the external deficit.

If pressure on the lira resumes, the party probably would recommend tighter controls over capital exports and over import payments. Should consumption of imports need to be cut sharply, the Communists would view rationing as the most equitable policy.

The need to finance continued payments deficits has taken on political ramifications for the Communists, and party economists generally oppose further external assistance. Italy's large foreign debt—totaling about \$15 billion—is seen as a symbol of foreign control over the Italian economy.

Although the party is against declaring a moratorium on debt repayments, it will press for a rescheduling of the current repayment program. If the present debt-service schedule is to be met, party economists contend, Italy would have to shift its trade balance into surplus over the next several years, an adjustment requiring restrictive government policies. The party believes the government can use its debt as a bargaining tool vis-a-vis official creditors by warning of the consequences—particularly for New York and European banks—of an Italian default.

#### Structural Changes

Over the longer run, the Communists see import substitution as essential to improvement in Italy's external accounts. In common with many center-left economists, Eugenio Peggio, one of the party's leading economists, recommends the rapid expansion of domestic agriculture and maintenance of the farm population at current levels. He particularly emphasizes the need to boost meat production; after crude oil, imported meat is Italy's most costly item in terms of foreign exchange.

The Communists go much further than most noncommunist economists in advocating major changes in the Common Agricultural Policy of the EC. The Communists have threatened to try restructuring EC farm policy so that those nations currently benefiting from the policy—notably France and Denmark—would finance at least half of their own agricultural surpluses.

The party also advocates a shift in trade flows to reduce import costs. Peggio urges that trade in raw materials and semifinished goods be shifted toward inexpensive suppliers either in the USSR and Eastern Europe or among the developing countries. The party

recommends barter agreements based on the East European prototype to save hard currency. The state holding companies, with their proliferation of firms at all stages of production, are seen as the natural conduits for arranging barter deals of a magnitude that cannot be duplicated in other countries.

The Communists correctly maintain that straightening out government finances is essential for long-term economic stability. Party resolutions recommend ceilings on central government and state agency budget expenditures; no such fiscal control is recommended for city governments, the largest of which are controlled by the party.

The Communists also advocate decentralization of programs. They would turn over almost all public projects in the fields of health, education, housing, and transportation to the regional governments for implementation. To augment government revenues, the party favors accelerated collection of overdue taxes and stringent tax audits to curb evasion.

The Communists consider administrative reform essential for effectively implementing economic policy, as well as for trimming the patronage that is an important facet of Christian Democratic power.

#### "Democratic Planning"

According to Luciano Barca, chief of the party's economics section, Italy's market system is obsolete. He believes free enterprise in Italy has rested on the pillars of cheap labor and inexpensive raw materials. The collapse of these pillars with the strengthening of the labor union movement in the 1970s and the energy crisis plunged Italy into its present economic morass and, to Barca, signaled the decline of a market-dominated economic system.

The Communists profess a desire to move Italy toward a planned economy through a democratic system. They maintain that parliament, as the expression of the popular will, should determine the economic plan for society. Because the government already controls so much of

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the economy—in recent years half of all industrial investment has originated in the public sector—the Communists believe they can use the present system to gain effective control of all parts of the economy.

They would use the levers of the tax system, credit control, and fiscal management to ensure that both private and public enterprise act in accordance with a national economic plan. They favor a plan for each sector of production and planning agreements among companies, unions, and the government.

The Communists would channel more investment into housing, schools, hospitals, public transportation, and economic development in southern Italy. Giorgio Napolitano, a member of the national directorate and secretariat of the party responsible for economic and labor policy, says planning would reduce duplication of manufacturing facilities and lead to a better distribution of industrial capacity.

Party economists focus on the industrial reconversion program—a multi-billion dollar aid effort for industry to be enacted as part of the Andreotti stabilization program—as a testing ground for their theories. The Communists are determined that the funds

allocated under this program go to job creation, improved social services, and development of the south; they do not want them to benefit corporate interests or the bureaucracy.

The party's office of economic research recommends that economic planning accompany the reconversion program and that planning guidelines be legislated in a form binding on both the bureaucracy and the industries involved.

#### **Evaluation**

Thus far, the party seems to be exerting a positive influence on the austerity program. While unable to gain union acceptance of changes in the wage indexation system, the party has helped dampen labor protest against other economic measures. Labor's promise to hold down wage demands and to increase productivity probably could not have been extracted without Communist influence. Having invested considerable political capital in the Andreotti government, the Communists have much to lose if its economic programs should fail.

The Communists' longer range economic program is likely to be extremely divisive. Despite their professed allegiance to the EC, formal adoption of several Communist proposals would run counter to Community doctrine. Com-

munist demands for a reform of the subsidy mechanism within the Common Agricultural Policy amount to an attack upon the system itself. Proposals to control luxury imports, reduce import dependence, and redirect trade toward the East and the developing countries could only be accomplished by imposing controls or subsidies.

Such measures would threaten the most solid achievement of the EC—the free flow of goods and services among member states. The use of state holding companies to conclude barter agreements would be a competitive threat to trading nations within and outside the EC that cannot exercise the same degree of coordination and control.

While many of the party's fiscal proposals have economic merit, others are inspired mainly by political considerations. The proposals to curb the expenditures of the central government and the state agencies, for example, are a call for sound fiscal management, but recommendations of fiscal decentralization are clearly motivated by the strength of the party in regional governments rather than by a desire for greater efficiency.

The Communists are far less emphatic about spending limits for municipalities, which in fact have accounted for much of the rise in the public sector deficit in recent years. Communist proposals for reform of public administration are not very subtle attempts to undermine the base of Christian Democratic power.

The Communist goal of “democratic planning” would increase government interference, especially in the areas of credit allocation and investment, and push Italy further in the direction of a planned economy. The party envisions tight management of industry and a planning center to set economic priorities. A powerful leadership would be required to implement those priorities. Thus, the Communist program may imply a higher degree of authoritarianism than can easily be fit into a democratic framework.



*Italian Communist election rally last June*

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